WELLS FARGO SECURITIES

2020 Utility Symposium Takeaways

Highlighting PEG, WTRG & ATO

Utilities

$	Rating		Price	FY EPS				Price Target	
				2020E		2021E			
Ticker	Curr.	Prior	12/09/20	Curr.	Prior	Curr.	Prior	To	From
Diversified Electric Utilities									
PEG	1	NC	56.89	3.43	NC	3.38	NC	69.00	NC
Natural Gas LDCs									
ATO	1	NC	97.75	4.72A	NCA	5.00	NC	114.00	NC
Water Utilities									
WTRG	1	NC	47.70	1.58	NC	1.65	NC	52.00	47.00

Source: Company data and Wells Fargo Securities, LLC estimates

1= Overweight, 2 = Equal Weight, 3 = Underweight, V = Volatile
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

- **Summary.** On 12/8 & 12/9, over 35 electric, gas and water utilities participated in virtual investor meetings at the 2020 Virtual Midstream and Utility Symposium. The tone of conversations was quite positive with companies cautiously optimistic on sales growth into 2021 and poised to advance de-carbonization strategies. In the comments below we expand on general industry takeaways and highlight PEG, WTRG (also increase price target) and ATO as timely investment ideas.
- **No Shortage of Investment Opportunities...** Between aging wires and pipes and the push toward de-carbonization, companies touted significant infrastructure investment opportunities with visibility well beyond the 5-year planning horizons. On the electric generation front, a number of utilities are scheduled to file IRPs in 2021 (BKH, CMS, EVRG, NI, OGE, XEL) with most executives pointing to renewables and peaking gas as the most likely resource solutions. In terms of coal retirements, companies generally are not expecting significant pressure from the Biden EPA only because many have already taken steps to accelerate coal retirements. That said, stricter emission regulations could provide greater justification for local stakeholders to accelerate retirements as several companies are still working out the details on recovery of the un-depreciated plant balances with securitization discussions going on in a number of states.
- **...Gating Factor is Customer Rates.** Utilities are always mindful of customer rate pressure, but we sensed a heightened sensitivity in light of COVID-related considerations. Regulators and politicians have pushed back on requested rate increases during the pandemic with the most recent example being the PA ALJ recommendation to deny NI's rate increase along with less overt actions including downward pressure on allowed ROEs (AZ). In response, many utilities are increasing programs to support low income customers and tightening their belts on the O&M front. Should utilities be able to create rate headroom via cost controls, fuel savings (steel for fuel) and, for certain utilities, customer growth, it could support the acceleration of capex and rate base growth.
- **Comments continue on page 2.**

Neil Kalton, CFA
Senior Analyst|314-875-2051
neil.kalton@wellsfargo.com
Sarah Akers, CFA
Senior Analyst|314-875-2040
sarah.akers@wellsfargo.com
Jonathan Reeder
Senior Analyst|314-875-2052
jonathan.reeder@wellsfargo.com
David Welkener, CFA
Associate Analyst|314-875-2054
david.welkener@wellsfargo.com
Scott Tipton
Associate Analyst|314-875-2048
scott.tipton@wellsfargo.com

- **New Technology Roundup.** We continue to sense a greater willingness on the part of the historically risk averse utility sector to embrace new technologies. We think this is being driven by a confluence of factors including (1) real and perceived policy pressure (at the state & federal levels), (2) customer demand for clean energy (both C&I and residential) and (3) the growing influence of ESG investing – is it just us or do company executives sound increasingly apologetic if stated generation resource plans still include coal in 2040? Several utilities indicated the potential to either accelerate or scale-up investments in battery storage (CMS) and EV-related infrastructure (DTE, XEL). And, in a mini eyebrow raising move, on 12/8 NEE acquired eIQ Mobility, a provider of software solutions to help assess fleets for a potential transition to electricity or hydrogen fuel. NEE indicated that the acquisition was part of the ongoing "dip your toes" approach into green hydrogen – and that the technology is still several years away from being a "needle mover" from an earnings standpoint – but the momentum continues to build.
- **M&A.** There was a lot of chatter regarding CNP's recent announcement regarding plans to sell LDCs in AR and OK. Nearby utilities BKH and OGS indicated a general openness to giving the assets a look, but not at valuations in the 1.5-2X rate base range – both expressed skepticism that their bids (if they bid) would prevail and appeared content to see a higher valuation from another party, which could lend support for LDC valuations overall. Northern utilities ALE and WEC did not express an interest in the assets and AQN commented that while they haven't ruled LDC acquisitions out, mgmt. prefers electric and water. SR provided broad comments that the company has been out of the M&A space due to frothy takeout multiples and would re-engage at more reasonable valuations along with cultural and regulatory considerations. While not categorically ruling out M&A, NWE noted they like the current electric/gas mix as well as serving areas where gas is not under attack and therefore cannot imagine moving outside of their Midwest region (but did not specify if AR and OK are in their region). Lastly, SWX expressed an openness to acquisitions, which would bolster the utility portion of the earnings mix, but did not comment specific to CNP's assets. More broadly, we think the need to create rate headroom in order to accelerate de-carbonization strategies could drive strategic combinations that offer scale and synergies.
- **Gas LDCs Strike A Positive Tone.** With the LDC utility business model in the spotlight as the electrification theme looms, we sensed greater comfort among gas executives that key stakeholders are acknowledging the role of gas distribution infrastructure in the pursuit of affordable de-carbonization (even in NJ). Companies also highlighted continued strong demand for LDC service including healthy new customer connect trends and opportunities to build-out the gas system into new areas. Consistent with the Q3 calls, most of the companies are actively exploring RNG opportunities and beginning to research the potential of adding hydrogen to the gas mix (early days). When asked whether RNG/hydrogen will detract from natural gas' affordability argument, executives drew a parallel with renewables in their infancy suggesting there's a need and expectation that the cost curves will be driven down over time. The LDCs also touted energy efficiency programs as a much more cost effective avenue toward de-carbonization.

Featured Picks

- **Public Service Enterprise Group (PEG/Overweight)**
  We like the set up for PEG heading into '21 as the company continues to transition to an appealing clean energy, predominantly regulated utility story (85% of earnings). Potential catalysts include (1) completion of the planned sale of the non-regulated fossil fuel and solar generation assets, which will simplify and "clean" up the story, (2) likely additional regulated capex arising out the CEF filings (Cloud & EV) and a new potential accelerated infrastructure investment program and (3) greater clarity on the long-term earnings profile for the nuclear fleet pending the outcome of an ongoing NJ BPU investigation. In the near-term, mgmt. is quite optimistic that the BPU will bless the $721mm CEF-Energy Cloud (AMI) (an all or nothing proposal) but is a little bit more iffy on the $261mm CEF-EV proposal. Evidentiary hearings on both the Energy Cloud and EV filings have been suspended as parties engage in settlement discussions. Separately, we touched on PEG's recent decision to acquire a 25% ownership interest in Ørsted's Ocean Wind project. While not unexpected, the decision frees up mgmt. to discuss the longer-term offshore wind opportunities that will likely sequence after Ocean Wind. Ørsted has 2,400 MW remaining in the Ocean Wind lease area and PEG/Ørsted jointly own the 1,000 MW Garden State Offshore Energy (GSOE) lease area. Now that PEG has opted into Ocean Wind 1, we fully expect Ørsted/PEG to jointly pursue future solicitations in NJ and the Mid-Atlantic (i.e., MD); this could set up for additional growth opportunities post '25 that will supplement PSE&G's strong rate base growth. As for the initial Ocean Wind stake, PEG will generate a substantial amount of cash upfront by taking the ITC & MACRS tax benefits (PEG has a U.S. tax appetite whereas Ørsted does not). We reiterate our Overweight rating and maintain our $69/sh price target.

- **Essential Utilities (WTRG/Overweight)**
  We came away from our WTRG meeting incrementally more bullish on the name and believe there are potential near-term catalysts to build upon the stock's recent strength. First, CEO Chris Franklin expressed confidence in the ability to get the pending DELCORA deal done and believes the judge may rule by Christmas on Delaware County's two legal challenges – the most important of which is the validity of the asset purchase agreement. Mr. Franklin reiterated that the County's concerns seem to be around the price and use of proceeds as opposed to be against actually selling to WTRG. As we have previously opined, a last minute settlement still cannot be ruled out. We believe the DELCORA deal represents material long-term value given meaningful capex needs that fall beyond the current 5-year forecast as well as the likely substantial wastewater tuck-in deals that could transpire in the area. Second, management believes investors will find the 1/11 guidance event constructive both in terms of the updated 3-year EPS and rate base growth outlook as well as environmental commitments at Peoples. Finally, we talked about the water and wastewater M&A pipeline and there continues to be attractive, sizeable opportunities that not too long ago WTRG would have never thought possible. We reiterate our Overweight rating and increase our 12-18 month price target to $52/share (29X our 22E EPS of $1.78) from $47.

- **Atmos Energy Corporation (ATO/Overweight)**
  ATO is our top pick in the Gas LDC space. We see the opportunity for multiple expansion from the current ~10% premium to gas peers. ATO is not a catalyst rich name, but offers consistent 6-8% EPS growth, a relatively low-risk regulated strategy, a strong balance sheet with well above-average credit metrics, supportive regulatory mechanisms and an excellent track record in our view. ATO also operates in gas-friendly states with ~70% of rate base in TX where we expect to see legislation proposed in 2021 that would prohibit the adoption of local bans on new gas hookups. We think continued execution through 2021 along with improving sentiment toward the LDC group will drive outperformance. We reiterate our Overweight rating and maintain our $114/sh price target.

Acronyms:

ALJ – Administrative Law Judge
AMI – Advanced Metering Infrastructure
BPU – Board of Public Utilities
C&I – Commercial & Industrial
DELCORA – Delaware Country Regional Water Quality Control Authority
EPA – Environmental Protection Agency
ESG – Environmental, Social, Governance
EV – Electric Vehicle
IRP – Integrated Resource Plan
ITC – Investment Tax Credit
LDC – Local Distribution Company
MACRS – Modified Accelerated Cost Recovery System
MW - Megawatt
O&M – Operations & Maintenance
RNG – Renewable Natural Gas

Rating Basis Information:

ATO Thesis: We are attracted to ATO's highly visible growth outlook, pure play regulated gas strategy and strong balance sheet. We do not believe these positive features are adequately reflected in the current share price.

PEG Thesis: We believe PEG shares offer investors an attractive risk/reward proposition. Key features include (1) a premier utility with well-above average rate base & EPS growth prospects, (2) a carbon-free nuclear generation fleet that generates significant FCF and (3) a strong balance sheet, which provides the company with financial flexibility.

WTRG Thesis: Our Overweight rating is premised on our belief that WTRG shares do not fully reflect the company's strong fundamentals which include a proven EPS growth strategy, a rate base that is growing at a mid-to-upper single digit CAGR, constructive regulatory treatment (particularly in PA where roughly 70% of earnings are derived and near-term regulatory risk is low as both the water and gas utilities completed rate cases in 2019), an efficient operating model and a solid financial profile. We believe relatively low risk, regulated EPS growth of at least 6% is achievable driven by the timely rate recognition of elevated pipeline infrastructure investment needs for the foreseeable future supplemented by water/wastewater municipal M&A trends.

Price Target Information:

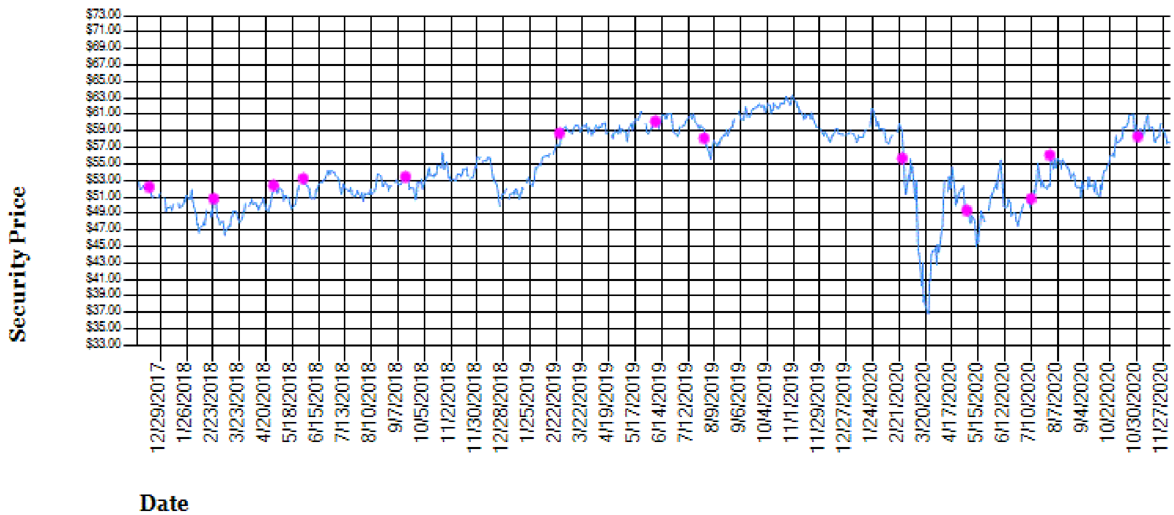
PEG Basis and Risks: Our $69/sh price target is based on a sum-of-the-parts analysis consisting of (1) $60.50/sh for PSE&G/Enterprise/Other (~20.5X our 22E EPS of $2.94) and (2) $8.50/sh for PSEG Power based on a DCF analysis. Risks to our valuation include earnings sensitivity to commodity prices, operational risks, unfavorable regulatory/political developments particularly as it relates to PEG's nuclear fleet.

ATO Basis and Risks: Our price target is based on a P/E multiple analysis (apply a 15-20% premium to the Gas LDC peer group multiple of ~18X on our '22E EPS). Key risks include regulatory risk (primarily in TX), potential pushback to rate increases, risk of gas-related incidents, and fluctuations in the Rider Rev mechanism at APT.

WTRG Basis and Risks: Our $52/share price target reflects both a P/E multiple and DDM analysis. In terms of P/E, we apply a 70% water/30% gas utility hybrid multiple to our 2022E of $1.78. For WTRG's water utility multiple, we ascribe a roughly 5% discount to the 21E multiple we use for AWK (34-34.5X, which is a 5-10% premium to the pure play water peer group median). We consider AWK to be WTRG's closest peer on the water side based on scale, key states/regions and municipal consolidation strategies. The roughly 5% discount reflects a modestly lower earnings growth rate (we forecast 6-7% for WTRG's water business vs. 8% for AWK) as well as lower ESG appeal (primarily due to the Peoples gas utility). For WTRG's gas utility multiple, we utilize the 21E pure play gas LDC median of 19X (based on ATO, NWN, OGS & SR) and then apply a 5-10% premium to it. We believe a premium is warranted as (1) Peoples is at the early stages of a multi-year accelerated pipeline replacement effort which is expected to drive healthy rate base growth for the foreseeable future (WTRG's 3-year guidance is 8-10%), (2) we believe Western PA, which sits above the prolific Marcellus and Utica shale plays, is largely immune to the anti-gas sentiment impacting some areas of the country and (3) most of Peoples falls under the constructive PA regulatory framework. Key risks relate to regulatory, Peoples gas deal integration and M&A strategy execution.

Required Disclosures

Public Service Enterprise Group Incorporated (PEG) 3-yr. Price Performance



Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
12/4/2017		Kalton				
12/4/2017	NA	1	56	NE	NE	52.89
• 12/18/2017	52.30	1	59	NE	NE	51.97
• 2/25/2018	50.53	1	56	NE	NE	50.53
• 4/30/2018	52.02	1	57	NE	NE	52.15
• 5/31/2018	52.98	1	63	NE	NE	52.98
• 9/16/2018	53.27	1	60	NE	NE	53.27
• 2/27/2019	58.56	1	66	NE	NE	58.56
• 6/9/2019	60.01	1	72	NE	NE	60.01
• 7/30/2019	57.87	1	69	NE	NE	57.89
• 2/26/2020	55.57	1	67	NE	NE	55.57
• 5/4/2020	49.14	1	57	NE	NE	49.14
• 7/12/2020	50.59	1	65	NE	NE	50.59
• 7/31/2020	55.94	1	68	NE	NE	55.94
• 11/1/2020	58.15	1	69	NE	NE	58.15

*Effective December 7, 2019, Wells Fargo Securities' Equity Research modified its ratings definitions. Complete definitions of current ratings can be found below. For information related to prior ratings definitions, please contact equityresearch1@wellsfargo.com.

Source: Wells Fargo Securities, LLC estimates and Reuters data

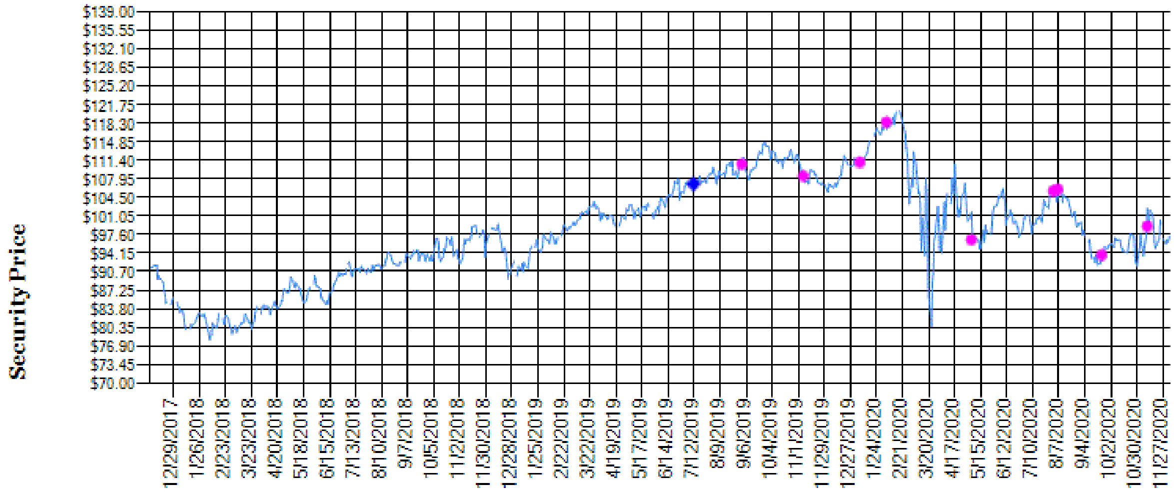
Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- • Price Target/Val Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ☐ Split Adjustment

Rating Code Key

1	Overweight/Buy	SR	Suspended
2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

Atmos Energy Corp. (ATO) 3-yr. Price Performance



	Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
	7/14/2019		Akers				
◆	7/14/2019	106.46	1	119	NE	NE	106.46
•	9/2/2019	110.23	1	123	NE	NE	110.23
•	11/7/2019	108.40	1	119	NE	NE	108.18
•	1/8/2020	110.74	1	122	NE	NE	110.74
•	2/5/2020	116.82	1	131	NE	NE	118.28
•	5/7/2020	96.55	1	108	NE	NE	96.38
•	8/3/2020	105.31	1	115	NE	NE	105.31
•	8/7/2020	104.70	1	117	NE	NE	105.71
•	9/24/2020	92.87	1	104	NE	NE	93.59
•	11/12/2020	98.72	1	114	NE	NE	98.72

*Effective December 7, 2019, Wells Fargo Securities' Equity Research modified its ratings definitions. Complete definitions of current ratings can be found below. For information related to prior ratings definitions, please contact equityresearch1@wellsfargo.com.

Source: Wells Fargo Securities, LLC estimates and Reuters data

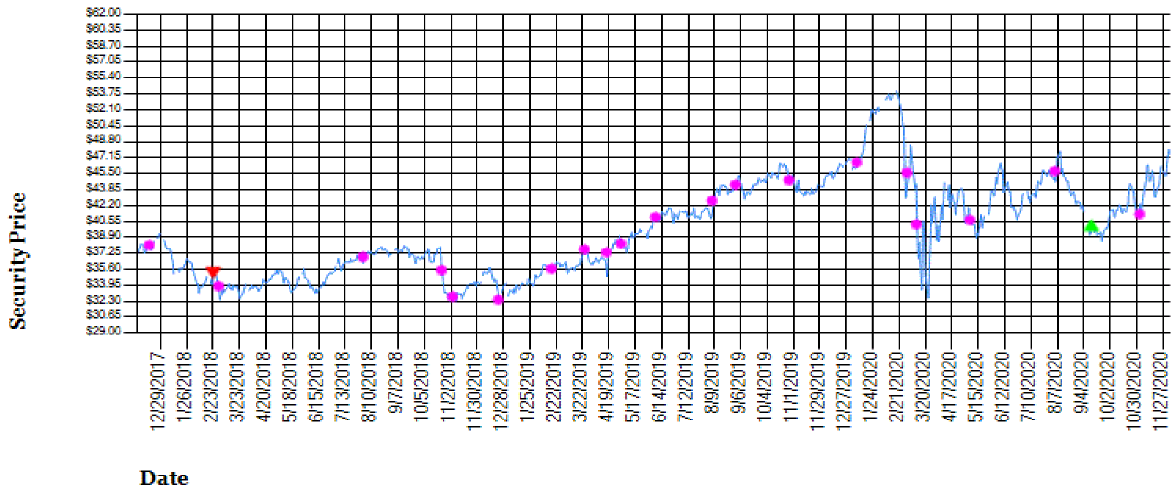
Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- • Price Target/Val Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- □ Split Adjustment

Rating Code Key

1	Overweight/Buy	SR	Suspended
2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

Essential Utilities, Inc. (WTRG) 3-yr. Price Performance



Date	Published Price ($)	Rating Code*	Price Target	Val. Rng. Low	Val. Rng. High	Close Price ($)
12/4/2017		Reeder				
12/4/2017	NA	1	40	NE	NE	37.67
12/18/2017	38.14	1	43	NE	NE	38.03
2/25/2018	35.00	2	37	NE	NE	35.00
3/1/2018	34.19	2	36	NE	NE	33.66
8/2/2018	36.70	2	38	NE	NE	36.70
10/24/2018	35.01	2	37	NE	NE	35.29
11/6/2018	32.70	2	35	NE	NE	32.59
12/24/2018	33.87	2	34	NE	NE	32.38
2/19/2019	35.54	2	36	NE	NE	35.52
3/26/2019	37.52	2	39	NE	NE	37.52
4/18/2019	36.52	2	38	NE	NE	37.15
5/3/2019	37.85	2	39	NE	NE	38.09
6/9/2019	40.84	2	42	NE	NE	40.84
8/8/2019	42.06	2	44	NE	NE	42.47
9/2/2019	44.29	2	47	NE	NE	44.29
10/29/2019	44.90	2	46	NE	NE	44.68
1/8/2020	46.51	2	48	NE	NE	46.51
3/2/2020	43.01	2	45	NE	NE	45.44
3/11/2020	44.41	2	48	NE	NE	40.03
5/7/2020	40.49	2	42	NE	NE	40.53
8/6/2020	45.56	2	45	NE	NE	45.56
9/14/2020	39.35	1	45	NE	NE	39.82
11/4/2020	41.19	1	47	NE	NE	41.19

*Effective December 7, 2019, Wells Fargo Securities' Equity Research modified its ratings definitions. Complete definitions of current ratings can be found below. For information related to prior ratings definitions, please contact equityresearch1@wellsfargo.com.

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- Rating Downgrade
- Rating Upgrade
- Price Target/Val Range Change
- Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

Rating Code Key

1	Overweight/Buy	SR	Suspended
2	Equal Weight/Hold	NR	Not Rated
3	Underweight/Sell	NE	No Estimate

Additional Information Available Upon Request

I certify that:
1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

- Wells Fargo Securities, LLC and/or its affiliates, have beneficial ownership of 0.5% or more of any class of the common stock of Atmos Energy Corporation, Public Service Enterprise Group Incorporated.
- Essential Utilities, Inc., Atmos Energy Corporation, Public Service Enterprise Group Incorporated currently is, or during the 12 month period preceding the date of distribution of the research report was, a client of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC provided investment banking services to Essential Utilities, Inc., Atmos Energy Corporation, Public Service Enterprise Group Incorporated.
- Wells Fargo Securities, LLC or its affiliates received compensation for investment banking services from Essential Utilities, Inc., Atmos Energy Corporation, Public Service Enterprise Group Incorporated in the past 12 months.
- Wells Fargo Securities, LLC, or any of its affiliates, intends to seek or expects to receive compensation for investment banking services from Essential Utilities, Inc., Atmos Energy Corporation, Public Service Enterprise Group Incorporated in the next three months.
- Wells Fargo Securities, LLC or its affiliates intends to seek or expects to receive compensation for investment banking services in the next three months from an affiliate of Public Service Enterprise Group Incorporated
- Wells Fargo Securities, LLC, or its affiliates, managed or co-managed a public offering of securities for Essential Utilities, Inc., Public Service Enterprise Group Incorporated within the past 12 months.
- Wells Fargo Securities, LLC maintains a market in the common stock of Essential Utilities, Inc., Atmos Energy Corporation, Public Service Enterprise Group Incorporated.
- Wells Fargo Securities, LLC received compensation for products or services other than investment banking services from Atmos Energy Corporation, Public Service Enterprise Group Incorporated in the past 12 months.
- Atmos Energy Corporation, Public Service Enterprise Group Incorporated currently is, or during the 12-month period preceding the date of distribution of the research report was, a client of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC provided non-investment banking securities-related services to Atmos Energy Corporation, Public Service Enterprise Group Incorporated.
- Wells Fargo Securities, LLC or its affiliates has a significant financial interest in Essential Utilities, Inc., Atmos Energy Corporation, Public Service Enterprise Group Incorporated.

ATO: Key risks include regulatory risk (primarily in TX), potential pushback to rate increases, risk of gas-related incidents, and fluctuations in the Rider Rev mechanism at APT.
PEG: Risks to our valuation include earnings sensitivity to commodity prices, operational risks, unfavorable regulatory/political developments particularly as it relates to PEG's nuclear fleet.
WTRG: Key risks relate to regulatory, Peoples gas deal integration and M&A strategy execution.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

STOCK RATING
1=Overweight: Total return on stock expected to be 10%+ over the next 12 months. BUY
2=Equal Weight: Total return on stock expected to be 0-10% over the next 12 months. HOLD
3=Underweight: Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. SELL

VOLATILITY RATING
V=A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: December 10, 2020

53% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Overweight.	Wells Fargo Securities, LLC has provided investment banking services for 48% of its Equity Research Overweight-rated companies.
38% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Equal Weight.	Wells Fargo Securities, LLC has provided investment banking services for 36% of its Equity Research Equal Weight-rated companies.
10% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underweight.	Wells Fargo Securities, LLC has provided investment banking services for 32% of its Equity Research Underweight-rated companies.

Important Disclosure for U.S. Clients
This report was prepared by Wells Fargo Securities Global Research Department ("WFS Research") personnel associated with Wells Fargo Securities and Structured Asset Investors, LLC ("SAI"), an investment adviser subsidiary of Wells Fargo & Co. If you are paying directly for this research, it is being provided by SAI. For all other recipients in the U.S. this report is being provided by Wells Fargo Securities.

Important Disclosure for International Clients
EEA – The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

Australia – Wells Fargo Securities, LLC, Wells Fargo Securities International Limited and Wells Fargo Securities Asia Limited are exempt from the requirements to hold an Australian financial services license in respect of the financial services they provide to wholesale clients in Australia. Wells Fargo Securities, LLC is regulated under the laws of the United States, Wells Fargo Securities International Limited is regulated under laws of the United Kingdom, and Wells Fargo Securities Asia Limited is regulated under the laws of Hong Kong. All such laws differ from Australian laws. Any offer or documentation provided to Australian recipients by Wells Fargo Securities, LLC, Wells Fargo Securities International Limited or Wells Fargo Securities Asia Limited in the course of providing the financial services will be prepared in accordance with the laws of the United States, United Kingdom or Hong Kong and not Australian laws.

Canada – This report is distributed in Canada by Wells Fargo Securities Canada, Ltd., a registered investment dealer in Canada and member of the Investment Industry Regulatory Organization of Canada (IIROC) and Canadian Investor Protection Fund (CIPF). Wells Fargo Securities, LLC's research analysts may participate in company events such as site visits but are generally prohibited from accepting payment or reimbursement by the subject companies for associated expenses unless pre-authorized by members of Research Management.

Hong Kong – This report is issued and distributed in Hong Kong by Wells Fargo Securities Asia Limited ("WFSAL"), a Hong Kong incorporated investment firm licensed and regulated by the Securities and Futures Commission to carry on types 1, 4, 6 and 9 regulated activities (as defined in the Securities and Futures Ordinance (Cap. 571 The Laws of Hong Kong), "the SFO"). This report is not intended for, and should not be relied on by, any person other than professional investors (as defined in the SFO). Any securities and related financial instruments described herein are not intended for sale, nor will be sold, to any person other than professional investors (as defined in the SFO). The author or authors of this report is or are not licensed by the Securities and Futures Commission. Professional investors who receive this report should direct any queries regarding its contents to Kelly Chiang and Mandy Wan at WFSAL (email: wfsalresearch@wellsfargo.com).

Japan – This report is distributed in Japan by Wells Fargo Securities (Japan) Co., Ltd, registered with the Kanto Local Finance Bureau to conduct broking and dealing of type 1 and type 2 financial instruments and agency or intermediary service for entry into investment advisory or discretionary investment contracts. This report is intended for distribution only to professional investors (Tokutei Toushika) and is not intended for, and should not be relied upon by, ordinary customers (Ippan Toushika).

The ratings stated on the document are not provided by rating agencies registered with the Financial Services Agency of Japan (JFSA) but by group companies of JFSA-registered rating agencies. These group companies may include Moody's Investors Services Inc., Standard & Poor's Rating Services and/or Fitch Ratings. Any decisions to invest in securities or transactions should be made after reviewing policies and methodologies used for assigning credit ratings and assumptions, significance and limitations of the credit ratings stated on the respective rating agencies' websites.

About Wells Fargo Securities

Wells Fargo Securities is the trade name for the capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including but not limited to Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of NYSE, FINRA, NFA and SIPC, Wells Fargo Prime Services, LLC, a member of FINRA, NFA and SIPC, Wells Fargo Securities Canada, Ltd., a member of IIROC and CIPF, Wells Fargo Bank, N.A. and Wells Fargo Securities International Limited, authorized and regulated by the Financial Conduct Authority.

This report is for your information only and is not an offer to sell, or a solicitation of an offer to buy, the securities or instruments named or described in this report. This report, including any ratings it contains, should not be considered a recommendation tailored to a particular investor with respect to (i) the security or securities or (ii) any investment strategy or strategies discussed in the report. Interested parties are advised to contact the entity with which they deal, or the entity that provided this report to them, if they desire further information or they wish to effect transactions in the securities discussed in this report. The information in this report has been obtained or derived from sources believed by Wells Fargo Securities Global Research Department ("WFS Research"), to be reliable, but WFS Research does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of WFS Research, at this time, and are subject to change without notice. Certain text, images, graphics, screenshots and audio or video clips included in this report are protected by copyright law and owned by third parties (collectively, "Third Party Content"). Third Party Content is made available to clients by Wells Fargo under license or otherwise in accordance with applicable law. Any use or publication of Third Party Content included in this report for purposes other than fair use requires permission from the copyright owner. Any external website links included in this publication are not maintained, controlled or operated by Wells Fargo Securities. Wells Fargo Securities does not provide the products and services on these websites and the views expressed on these websites do not necessarily represent those of Wells Fargo Securities. Please review the applicable privacy and security policies and terms and conditions for the website you are visiting. All Wells Fargo Securities and SAI research reports published by WFS Research are disseminated and available to all clients simultaneously through electronic publication to our internal client websites. Additional distribution may be done by sales personnel via email, fax or regular mail. Clients may also receive our research via third party vendors. Not all research content is redistributed to our clients or available to third-party aggregators, nor is WFS Research responsible for the redistribution of our research by third party aggregators. Equity Strategists focus on investment themes across the equity markets and sectors. Any discussion within an Equity Strategy report of specific securities is not intended to provide a fundamental analysis of any individual company described therein. The information provided in Equity Strategy reports is subject to change without notice, and investors should not expect continuing information or additional reports relating to any security described therein. For research or other data available on a particular security, please contact your sales representative or go to http://www.wellsfargoresearch.com. For the purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research. Each of Wells Fargo Securities, LLC and Wells Fargo Securities International Limited is a separate legal entity and distinct from affiliated banks.